

Council

Council Tax Base for 2013/14

21 January 2013

Report of Head of Finance and Procurement

PURPOSE OF REPORT

To consider the calculation of the council tax base for 2013/14

This report is public

Recommendations

Council is recommended:

- (1) To approve the report of the Head of Finance and Procurement, made pursuant to the Local Authorities [Calculation of Tax Base] [England] Regulations 2012 and the calculations referred to therein for the purposes of the Regulations;
- (2) To resolve that, in accordance with the Regulations, as amended, the amount calculated by Cherwell District Council as its council tax base for the year 2013/2014 shall be 46,672; and
- (3) To resolve that the tax base for the parts of the area be in accordance with the figures shown in column 13 of Appendix 2.
- (4) To delegate authority to the Director of Resources and Head of Finance and Procurement to make any changes to the tax base if required as a result of the consideration of agenda item 11 on Council Tax Reduction Scheme in consultation with the Lead Member for Financial Management.

Executive Summary

Introduction

- 1.1 The Council is required to calculate its tax base for each financial year in advance of the start of the year and notify its major precepting authorities and local precepting authorities accordingly.

- 1.2 The background information forming part of this report provides all the necessary calculations together with an explanation of how each has been arrived at.
- 1.3 There are various powers contained within the Council Tax, Housing Benefit and Business Rates legislation, all of which are reviewed annually. These have been considered in the previous agenda item.

Effect on the Council Taxbase

- 1.4 As a result of various changes in legislation for 2013/14, particularly the replacement of Council Tax benefit with a Local Council Tax Reduction Scheme, there are changes to the way the taxbase is calculated. The number of band D equivalent properties will fall by 4741 due to the introduction of the scheme.
- 1.5 This equates to £585,514 lost revenue for the council which is partially offset by government funding. The provisional settlement has announced funding of £884,000 to cover the billing authority and local preceptor shortfalls.
- 1.6 Of this funding, £349,487 has been made available to offset the effect on the local preceptors. Town and parish councils will have this passported to them along with in year 1 only a further payment to cover the shortfall in full.
- 1.7 The government has made some further funding available to assist in the transition to a Council Tax Reduction Scheme and on the basis that the previous Agenda Item is approved, an estimated transitional grant of £23,962 is also available to the council which will also be used to offset the effect on parishes in Year 1 only.
- 1.8 The grant represents 86% of the shortfall so in 2014/15 (subject to final settlement) local preceptors will need to consider how they make up the residual shortfall.
- 1.9 It is proposed that the amendments to council tax discounts and exemptions detailed in the previous agenda item (Agenda Item 10) will help offset the funding gap generated by the 10% reduction in grant available. Making these amendments will have the effect of increasing the taxbase.
- 1.10 The net effect of the changes relating to the introduction of the Council Tax Reduction Scheme and changes to discounts and exemptions will result in the overall taxbase reducing from 50,615 in 2012/13 to 46,672 in 2013/14, a reduction of 3943.

Proposals

- 1.11 To consider the calculation of the council tax base for 2013/14 as set out in the background information and decide whether to vary the

estimated figures of adjustments for changes in property information during the year, e.g. new properties or discount changes, as well as the collection rate used in the attached appendix 2 to this report.

- 1.12 It is proposed that no variations are made to either the estimated adjustments of the collection rate used in appendix 2. The estimated adjustments have been made to take into account any new property which may be built during the forthcoming year. The role of inspector has now been deleted. However, the Service Assurance Team will continue to work in conjunction with other internal and external partners to carry out this annual task.

Conclusion

- 1.13 The attached background information and appendices provide the most up to date view of the tax base and the adjustments that have been made to allow for changes effective during 2013/2014 have been based on the current economic situation. On this basis, the Council is invited to approve the recommendations set out at the beginning of this report.

Background Information

COUNCIL TAX BASE CALCULATIONS FOR 2013/14

Valuation Banding and Notification to Preceptors

- 2.1 The billing authority is obliged to notify major precepting authorities of the tax base set by 31 January 2013. In practice, it is important that they, and the local precepting authorities, are given as much time as possible to determine their precepts, in order that they can levy them on this Council in time for the council tax to be set at the meeting on 25 February 2013.
- 2.2 To give all precepting authorities [including parish and town councils] sufficient time to determine their precepts the provisional tax base figure has already been circulated. These figures will be confirmed following this meeting of the Council.

The Requirements of the Tax Base Calculation

- 2.3 The Local Authorities [Calculation of the Tax Base Regulations] [England] 2012 [S.I. No 2914 of 2012] sets out the necessary calculations and it is a clear intention that the Council should be seen to perform a series of calculations, which follow
- 2.4 The first step is to establish the relevant amount [band D equivalents]

for 2013/14. Regulation 4 provides the following formula

The relevant amount for a valuation band = $\{(H-Q+J)-Z\} \times F/G$

Where:

H = number of chargeable dwellings

Q = factor to take account of discounts and exemptions

J = an amount for adjustments for changes in property information during the year e.g. new property

Z = the total amount that the authority estimates will be applied pursuant to the authority's council tax reduction scheme in relation to the band, expressed as an equivalent number of chargeable dwellings in that band

F = the proportion for the relevant band e.g. 6 for band A

G = the number relevant to band D i.e. 9.

- 2.5 Appendix 1 shows a summary of information used resulting in the following totals:
- 59,627 properties in the list
 - 47,501 band D equivalents (the relevant amount).
- 2.6 Appendix 2 to this report provides the calculation of the tax bases for each town and parish.
- 2.7 Regulation 3 of the Regulations provides that each billing authority will determine a collection rate. It requires the authority to estimate the amounts, which are likely to be paid, expressed as a proportion of its estimate of what should be paid. It is estimated that in accordance with Regulation 3, the collection rate for the authority should be 98%.
- 2.8 Because there is a need to calculate the tax base at an individual town and parish level the collection rate has been applied to the net band D equivalents in appendix 1b and the MOD property added back in to arrive at a tax base of 46,672 compared to 50,615 for 2012/13.

Calculation of the Tax Base for a Part of the Area

- 2.9 Regulation 6 requires that the tax base be determined for each local precepting area. Appendix 2 provides this for each of the 78 district parts of the area.
- 2.10 Column 1 shows the band D equivalents or properties in each part net of exemptions, discounts and disabled relief. The Local Authorities (Calculation of Council Tax Base) (Amendments) (England) Regulations 1999 (S.I. No 3123 of 1999) provides for disabled relief to

be allowed for Band A property. Instead of being charged 6/9 of band D they are charged 5/9 of band D.

- 2.11 Column 2 adds in MOD property to arrive at the relevant amount which totals 47,500.7 in column 3.
- 2.12 Columns 4 to 7 deal with expected adjustments during the year. Columns 5 to 7 have been left blank as it is impossible to predict changes to discounts or property which will be demolished. However, column 4 shows additional new property being built in the district. In all cases, these additions have been estimated at part of a year only.
- 2.13 Column 8 is a sub total.
- 2.14 Column 9 takes the MOD property back out to give a net figure in column 10.
- 2.15 Column 11 applies the collection rate. This has been maintained at 98%, the same figure used for 2012/13. This is considered reasonable given the 98.3% collection rate achieved in 2011/12, whilst also allowing for any shortfall due to the changes in the discounts and exemptions and or the new council tax reduction scheme.
- 2.16 Column 12 adds the MOD property back in and column 13 shows the final tax base for 2013/14.
- 2.17 Column 14 shows the 2012/13 tax base for comparison and percentage changes.

Key Issues for Consideration/Reasons for Decision and Options

- 3.1 The collection rate used for the calculation of the tax base is a best estimate of a percentage of the total amount due for 2013/14 that will be collected. Over the past years, collection rates have risen and since 2006/07, collection has been between 98.0% and 98.5%. In 2011/12, the collection rate was 98.3%. Collection for 2012/13 is expected to be close to this figure.
- 3.2 Issues affecting the collection rate used centre around ability to pay. The general economy continues to struggle and residents may struggle to meet their commitments.
- 3.3 In 2013/14 there is also the factor of changes to discounts and exemptions and the replacement of Council Tax benefit with a local Council Tax Reduction Scheme. No resident currently in receipt of benefits should find themselves worse off, provided their circumstances do not change. Therefore, this should cause no adverse change in the collection rate.

- 3.4 The estimate of adjustments for new property may also vary. The adjustments made on the basis of information obtained by the Service Assurance Team take into account planning applications a local knowledge.
- 3.5 Given these factors, it is recommended that the collection rate used in the tax base calculation remains at 98%.

The following options have been identified. The approach in the recommendations is believed to be the best way forward:

- Option One** The majority of figures used in the calculation are obtained from the billing system for council tax and as such are a matter of fact. The Council could vary the estimated figures for changes to property information during the year as well as the calculation rate
- Option Two** Normally, the Council could vary the discounts it awards. However, this has been considered in a previous agenda item.

Consultations

[Consultee] none

Implications

Financial: The tax base determines the potential income from each £1 of council tax set. If the tax base, as calculated in column 13 of appendix 2, were to be set, it would result in £46,672 being raised per £1 of council tax set [for budget purposes]. A grant for the Council tax Reduction Scheme is also payable to offset the drop in council tax base as a result of the changes to council tax benefit.

Comments checked by Karen Muir, Technical and Project Accountant, 01295 221559.

Legal: The calculations required have been undertaken by the Council in order to arrive at its council tax base are set out in the legislation referred to above in this report. Failure to set a council tax base for 2013/14 would result in the Council being unable to set its council tax for 2013/14

Comments checked by Kevin Lane, Head of Law and Governance 0300 0030107.

Risk Management: The adjustments made, in column 4 of the appendix 2, to the data supplied by the council tax system, to allow for new properties occurring in 2013/14, is an estimate based on existing planning permissions. There is a risk that new property will not be built, sold or occupied as soon as anticipated. The estimate is therefore reduced by 50% to allow for any delays.

Comments checked by Karen Muir, Technical and Project Accountant, 01295 221559.

Wards Affected

All

Document Information

Appendix No	Title
Appendix 1	Council Tax base summary
Appendix 2	Council tax base at Parish level
Background Papers	
None	
Report Author	Karen Curtin, Head of Finance and Procurement
Contact Information	Andrew Taplin 01295 227030 andrew.taplin@Cherwell-dc.gov.uk